Chickasaw County/IUOE #234 (Roads) 2004-2005
CEO 830
SECTOR 2

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PUBLIC EMPLOYMENT RELATIONS BOARD

IN THE MATTER OF THE IMPASSE BETWEEN

THE INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL 234, Union,	IOWA PUBLIC EMPLOYMENT RELATIONS BOARD CASE NO. CEO 830/2
and	
THE COUNTY OF CHICASAW, Employer.	DECISION AND AWARD OF ARBITRATOR

APPEARANCES

For the Union:

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On June 16, 2005, in New Hampton, Iowa, a hearing was held before Thomas P. Gallagher, Arbitrator, who was selected by the parties under the provisions of the Iowa Public Employment Relations Act (the "Act"), as amended, to resolve collective bargaining issues about which the parties are at impasse.

BACKGROUND

The County of Chicasaw (the "Employer" or the "County") is located in northeast Iowa. The Union is the collective bargaining representative of twenty-two non-supervisory employees of the Employer -- those who work in the Employer's Secondary Roads Department in the classifications, Equipment Operator and Mechanic. The Union has represented these employees since early 2004. The parties' first labor agreement (hereafter, the "current labor agreement") will soon expire; it has a duration from July 1, 2004, through June 30, 2005. The parties have successfully negotiated most of the terms of a new labor agreement, which will also have a one-year duration -- from July 1, 2005, through June 30, 2006. They have not, however, been able to resolve their differences with respect to two "impasse items," Wages and Insurance.

On February 21, 2005, the parties presented their positions on the same two impasse items at a hearing held under the Act's fact-finding procedures, before Hugh J. Perry, Fact-finder, and on February 24, 2005, Perry issued his Recommendations. In this proceeding, the parties have invoked the Act's further impasse resolution procedure, issue-by-issue arbitration, selecting me to serve as the sole arbitrator. Accordingly, my authority in this proceeding is limited in the following manner. On each of the two impasse items, I may make one of three awards -- the entire final position of the Union, the entire final position of the Employer or the entire Recommendation of the Fact-finder. On each item, I have no discretion to award part of or to vary the position of one or the other of the parties or to award part of or to vary the Recommendation of the Fact-finder.

In deciding the issues in this proceeding, I have considered, among others, the factors specified in the Act as those that must be considered by a panel of arbitrators. Section 20.22, Subdivision 9, Code of Iowa. The text of that subdivision is set out below:

a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.

b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.

c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.

d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

The Employer employs ninety-three employees. Four other unions have collective bargaining agreements with the Employer -- one representing Home Maker and Health Aids, one representing employees in the Sheriff's Department and two representing Court House employees.

Article 27 of the current labor agreement establishes the wage rate payable to both bargaining unit classifications, $14.45 per hour. In addition, Article 26 of the current labor agreement provides for longevity pay -- ranging from $0.10 per hour for employees with five years of service to $0.45 per hour for employees with forty years of service.

Article 21 of the current labor agreement, which has only one section, is set out below:

> Section 21.1. The Employer agrees to pay the entire single premium for the employee towards a Health and Major Medical group insurance program. The parties agree that the Employer shall be responsible for up to five hundred sixty-eight dollars ($568) of the family plan. Any cost in excess of the five hundred sixty-eight dollars ($568) shall be divided 50/50 between the Employer and and employee. Per current practice.

Other than this brief description given in Section 21.1 of the current labor agreement, no other provision describes the structure and benefits ("plan design") provided by this "Health and Major Medical group insurance program." The evidence shows that the Employer implements this provision through a program of self insurance, utilizing preferred providers. The parties refer to it as a "PPO" plan. The administration of this program is done by a third party administrator, Midwest Group Benefits, Inc.

The evidence also shows that the program, as currently designed, requires employees with single coverage to use a $500.00 annual deductible and those with family coverage to use a $1,000.00 annual deductible. In addition, the program as currently designed requires co-pays for some services and for drug purchases, but the evidence does not include a complete description of those co-pays. As currently designed, the program sets maximum annual out-of-pocket expenses at $1,500.00 for those with single coverage and at $3,000.00 for those with family coverage.

The insurance "premium" or "cost," as it is referred to in Section 21.1 of the current labor agreement, is determined on about the first of December for the following calendar year. For calendar year 2005, the total monthly cost for family coverage is $1,005, and, in accord with the formula established in Section 21.1, the Employer pays $787 of that monthly cost and the employee selecting family coverage pays $218. For 2005, six of the twenty-two bargaining unit employees selected single coverage, and sixteen selected family coverage. The cost of coverage for calendar year 2006 will not be known until about December 1, 2005. The cost increase for 2005 over 2004 was about 15%.

Below are set out the Union's final positions on both impasse items as presented at the fact-finding hearing on February 21, 2005 (from the description given by the Fact-finder in his written Recommendations):

> Wages: Increase the hourly wage rate by $0.50, effective July 1, 2005, and increase it by an additional $0.50, effective January 1, 2006.
>
> Insurance: Continue the program as currently designed, and continue the requirement that the Employer pay 100% of the cost for employees selecting single coverage, but require that the Employer pay 80% of the cost for employees selecting family coverage, with the balance to be paid by the employee.

Below are set out the Employer's final positions on both impasse items as presented at the fact-finding hearing on February 21, 2005 (from the description given by the Fact-finder in his written Recommendations):

> Wages: Increase the hourly wage rate by $0.15, effective July 1, 2005.
>
> Insurance: Continue the requirement in the current labor agreement that Employer pay 100% of the cost for

employees selecting single coverage and the first $568 of the monthly cost for employees selecting family coverage, with the excess of cost over $568 per month to be paid one-half by the Employer and one-half by the employee.

Change the design of the insurance program in a manner not fully described in the evidence at the arbitration hearing. The description given by the Fact-finder to the changes in design as proposed at the fact-finding hearing is the following: "The County is proposing three changes to its health insurance plan. All were suggested as potential cost saving measures by the County's insurance plan administrator. The proposals are attached to these recommendations." The copy of the Fact-finder's Recommendations presented in evidence at the arbitration hearing, however, did not include that attachment.

Below are set out the Fact-finder's Recommendations on each impasse item:

Wages: Increase wages by $0.52 per hour, effective July 1, 2005.

Insurance: No change in Article 21. Current plan to continue in all respects.

As presented to me at the arbitration hearing, The parties have made changes in their final positions. The final positions of the Union, as thus amended, are set out below:

Wages: Increase the hourly wage rate by $0.87, effective July 1, 2005.

Insurance: Continue the program as currently designed, and continue the requirement that the Employer pay 100% of the cost for employees selecting single coverage, but require that the Employer pay 78% of the cost for employees selecting family coverage, with the balance to be paid by the employee.

The final positions of the Employer, as amended for the arbitration hearing, are set out below:

Wages: Increase the hourly wage rate by $0.50, effective July 1, 2005.

Insurance: Amend Section 21.1 of the labor agreement to provide:

Section 21.1. The Employer agrees to pay the entire single premium for the employee towards a Health and Major Medical group insurance program. The parties agree that the Employer shall be responsible for 75% of the family plan and the employee shall be responsible for 25%. The above language will become effective December 1, 2005, when the insurance change normally becomes effective.

The insurance rates, coverage and employee contribution in effect June 30, 2005, will continue until December 1, 2005.

The parties to this agreement have agreed to the following actions for the 2005-2006 agreement:

1) The insurance coverage currently in effect will be changed January 1, 2006, as follows:

a. Physician Services: For physician services, the co-pay would remain the same for everything except "office visit services." Office visit services include such services that patients used to receive at hospitals, such as lab, x-ray, diagnostic testing, etc. Office visit services beyond normal annual maintenance will be paid at 90% after deductible.

b. Out-of-Pocket Costs for "In and Out" of Network: Annually the out-of-pocket maximums are $1,500 per covered person and $3,000 per family unit. Under the TPA's [third party administrator's] recommendation, if a person can get the needed services in the network, but decides to go outside of the network, the out-of-pocket maximums increase to $6,500 and $8,000 respectively.

c. Prescription Drugs: Prescription benefit co-pay will remain the same however; the employee will be charged an additional 10% of the prescription balance for Formulary or non-Formulary brand name drugs (emphasis added). For example, if an employee would buy a Formulary name brand drug for $50.00, the out-of-pocket expense to the employee would be $23.00 ($20.00 for the prescription co-pay and an additional $3.00 surcharge (10% of the balance of $30.00)).

At of the fact-finding hearing on February 21, 2005, the Employer had not reached a new labor agreement with any of the unions representing the other four bargaining units of County employees. Since then, however, the Employer has settled with all of them -- reaching labor agreements with all of the other bargaining units. All four of those labor agreements now include the same new insurance provisions that the Employer proposes in this proceeding.

The three agreements covering court house employees and Homemakers and Health Aides provide a one-year across-the-board hourly wage increase of $0.50 for 2005-06 for all classifications. The information about these agreements, as presented by the Union, does not state that they are three-year agreements, but the information presented by the Employer states that the agreements settled wages for a second and third year by agreeing to increases of $0.45 per hour and $0.40 per hour for those additional years. The labor agreement covering employees in the Sheriff's Department provides Deputy Sheriffs hourly wage increases of $0.83 during its first year, an additional $0.73 during its second year and an additional $0.73 during its third year. For the other two classifications in the Sheriff's Department bargaining unit, Dispatchers and Civil Deputies, the agreement provides hourly wage increases of $0.50 during its first year, an additional $0.45 during its second year and an additional $0.45 during its third year.

At the time of the fact-finding hearing on February 21, 2005, the Employer had not generated an estimate of the way in which its proposed insurance plan design changes would affect costs. On March 16, 2005, Karla Baumfer, Area Project Manager for the plan's third party administrator, Midwest Group Benefits, Inc., sent the Employer the following letter:

Attached is the information Loren put together in regards to what plan changes would save your plan in dollars.

If you were to implement the Physician's Service Change, estimated Plan Savings would be $28,000 per year. If you were to implement the Out-of-Network Change, estimated Plan Savings would vary considerably. Based on prior years, savings would be $5,000 to $10,000. This could save employees more and provide safer care. If you were to implement the Prescription Drug Benefit Change, estimated Plan Savings would be $16,000 per year. . . .

The parties agree that fifteen northern Iowa counties make an appropriate comparison group for comparison of wages and insurance benefits. The following table shows the hourly wage rates paid by those counties during 2004-05 and what they will pay during 2005-06 to a classification equivalent to the classifications represented by the Union (referred to by the parties as "Motor Grade Operator"):

County	2004 Base Rate	2005 Base Rate	Dollar Increase	Percent Increase
Allamakee	$14.17	$14.62	$0.45	3.1%
Buchanan	14.47	15.02	0.55	3.7%
Butler	14.95	In Arbitration		
Clayton	15.58	15.98	0.40	2.5%
Fayette	14.49	14.92	0.43	2.9%
Floyd	16.29	16.86	0.57	3.4%
Franklin	14.82	15.32	0.50	3.3%
Grundy	14.74	15.19	0.45	3.0%
Hancock	14.97	15.43	0.46	3.1%
Hardin	14.63	14.96	0.33	2.2%
Howard	14.53	14.97	0.44	2.9%
Mitchell	15.51	15.82	0.31	2.0%
Winnebago	15.60	16.07	0.47	2.9%
Worth	15.23	15.75	0.52	3.4%
Wright	14.86	Not Settled		
Average	14.96	15.43	0.45	2.95%
Chicasaw (Union)	14.45	15.32	0.87	6.0%
Chicasaw (Employer)	14.45	14.95	0.50	3.5%
Chicasaw (Fact-finder)	14.45	14.97	0.52	3.6%

Exact comparisons among these counties of the relative costs and benefits provided by health insurance plans of varying design is not possible without a detailed analysis of each plan design insofar as each may vary one from the other in relevant features, such as co-pays, deductibles, covered benefits and out-of-pocket maximums. Nevertheless, the parties have provided information comparing costs, some of which is given below.

During 2004-05, thirteen of these counties paid 100% of the cost of single coverage, and one, 96%, and one, 98%. The table below -- which, because it amalgamates information provided by each of the parties, may have a slight variation in the base hours per month used in their calculations -- shows for these counties in 2004-05 1) the monthly cost (and in parentheses the hourly cost) to the county for an employee selecting family coverage, 2) the monthly cost (and hourly cost) of family coverage to that employee and 3) the total of the hourly wage rate and the hourly cost to the county of family coverage for an employee selecting such coverage:

County	County's Monthly (Hourly) Insurance Cost	Employee's Monthly (Hourly) Insurance Cost	County's Hourly Cost Wages and Insurance
Allamakee	$ 451 ($2.60)	$650 ($3.75)	$16.77
Buchanan	939 (5.42)	40 (0.23)	19.89
Butler	693 (4.00)	0 (0.00)	18.95
Clayton	442 (2.55)	559 (3.23)	18.13
Fayette	702 (4.05)	467 (2.69)	18.54
Floyd	754 (4.35)	252 (1.45)	20.64
Franklin	685 (3.95)	48 (0.27)	18.77
Grundy	783 (4.52)	50 (0.29)	19.26
Hancock	844 (4.87)	43 (0.25)	19.84

County	County's Monthly (Hourly) Insurance Cost	Employee's Monthly (Hourly) Insurance Cost	County's Hourly Cost Wages and Insurance
Hardin	$ 730 ($4.21)	$ 0 ($0.00)	$18.84
Howard	487 (2.81)	318 (1.83)	17.34
Mitchell	508 (2.93)	367 (2.12)	18.44
Winnebago	1023 (5.90)	171 (0.98)	21.50
Worth	508 (2.93)	498 (2.87)	18.16
Wright	868 (5.01)	137 (0.79)	19.87
Average	694 (4.01)	240 (1.38)	19.00
Chicasaw	787 (4.54)	218 (1.26)	18.99

The Union argues that what is referred to as "plan savings" in the plan administrator's letter of March 16, 2005, is really a shifting of costs from the Employer to the employee. The Union estimates that, if the plan design changes proposed by the Employer become effective, the additional cost to employees from those design changes will be the equivalent of about $0.25 to $0.278 per hour, after the changes become effective on January 1, 2006.

In addition, the Union points out that, if the Employer's position on Insurance is adopted, even without including the cost to employees of the proposed changes in plan design, the Employer's proposed change in the formula for dividing monthly premiums for family coverage will increase the cost to an employee selecting such coverage from $218 per month to $251 per month, provided that the total monthly premium, which will be calculated on about December 1, 2005, does not rise and remains at $1,005. That increase in the cost to the employee amounts to about $0.19 per hour calculated on a monthly basis. Thus, the Union notes that, even if the monthly premium does not rise at all for 2006, adoption of the Employer's position on Insurance will cost an employee selecting family coverage about $0.44 per hour to about $0.468 per hour.

Further, the Union argues that, though the 2006 total cost of insurance will not be calculated until December 1, 2005, it is reasonable, based upon recent experience, to anticipate some increase in the total monthly premium. The Union calculates additional hourly cost increases to an employee selecting family coverage that might result from possible increases in the total monthly premium, ranging up to an additional $0.20 per hour if the total premium rises by 15% -- though I note that these calculations do not consider the lessening of costs to the plan that would result from the plan design changes incorporated into the Employer's Insurance proposal.

The Union argues that adoption of the Employer's position on Insurance, combined with the adoption of the Employer's position on Wages would, for most employees, have the effect of almost totally eliminating the wage increase proposed by the Employer, with the possibility, if the monthly premium rises, of a net reduction in the effective wage rate.

The Union notes that over the last four years increased insurance costs charged to the employee selecting family coverage of about $0.80 per hour have substantially eroded their wage increases that have totaled $1.39 per hour over that period. The Union also points out that, as a consequence of the Employer's 2003 decision to end the practice of assigning seasonal summer overtime, bargaining unit employees have lost the equivalent in income of about $1.46 per hour, based on a 2,230 hour work year.

The Employer argues that all of the other bargaining units that represent County employees have accepted, not only the plan design changes incorporated in the Employer's position on Insurance, but the revised formula for dividing the monthly premium between the Employer and the employee selecting family coverage. The Employer urges that the plan design changes are consistent with the kinds of change that are being made by other Iowa employers, both public and private, in an effort to give employees a greater financial stake in the decisions they make about using health care -- with the goal of eliminating unnecessary usage. The Employer also notes that the other unions agreed to divide the family premium in a 75% to 25% ratio with the expectation that, if costs increased greatly, the new formula would be less expensive to employees than the old formula, which had the Employer and employee dividing equally the excess of premium over $568 per month.

The Employer argues that the compensation package proposed here, in its positions on Wages and Insurance, is the same as what other County employees will receive from the negotiated settlements with the other unions. The Employer argues that the higher wage increases received by Deputy Sheriffs were justified because their wages were substantially below the wages of Deputies in the comparison counties.

The Employer argues that, though the wage rate in 2004-05 for the Motor Grade Operator classification in the comparison counties averaged $14.96 as compared to the $14.45 for the equivalent bargaining unit classifications, the difference was offset by better health insurance benefits received by bargaining unit employees as compared to the average insurance benefit in the comparison counties. Thus, the Employer notes that the $14.45 wage rate plus the $4.54 that is the County's share of the family insurance premium totals $18.99 -- about equal to the $19.00 average of the same payments made by the comparison counties.

In addition, the Employer argues that its proposals, if awarded, should have no adverse effect on its ability to recruit and retain bargaining unit employees.

I award the Employer's position on Insurance for several reasons. I agree with the rationale that underlies the proposed changes in plan design -- that users of a health care system, if they have financial incentives to do so, will reduce the use of the system. It appears that the plan design changes at issue here can have a long-term beneficial effect for both the Employer and its employees, as overall spending on health care declines. Reduced use of the system should reduce the overall cost of health care and thereby make funds available for other forms of compensation.

The primary reason I award the Employer's position on Insurance, however, is that the health care plan now in place for the County's other employees includes those plan design changes -- negotiated with the other unions since the Fact-finder's Recommendations were made in late February.

Internal consistency of health care benefits provides several important advantages -- at least, a reduction in administrative costs that flows from the use of the same plan for all employees and the avoidance of discord among employees that may come with different benefits for different employee groups.

My award of the Employer's position on the Insurance issue, however, must become the primary driver of my award on the other issue, Wages. I award the Union's position on Wages. Adoption of the Employer's position on Insurance will cause a substantial increase in the cost of that benefit to bargaining unit employees -- not only the equivalent, on average, of about $0.25 per hour to cover the shifting of costs from plan to employee caused by the plan design changes, but the increased share of premium, about $0.19 per hour,* that will be paid by the sixteen bargaining unit employees who have family coverage. I agree with the Union's argument that the shifts in health insurance costs from the Employer to the employee are not sufficiently offset by the $0.50 per hour wage increase that would come with an award of the Employer's position on Wages, nor, indeed, by the $0.52 per hour increase that would come with an award of the Fact-finder's Recommendation on Wages.

I recognize that an award of the Union's position on Wages increases wages by $0.87 per hour or about 6.0%, in

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* In the absence of good estimates, this figure assumes that there will be no increase in the monthly premium for family coverage, with possible offsetting of a recently typical annual premium increase by the cost savings to be generated by the plan design changes.

contrast with the average of $0.45 per hour and about 2.95% in the comparable counties. The evidence does not show, however, that in those comparable counties the cost of health insurance has been shifted to the employee as it will be shifted as a consequence of awarding the Employer's position on Insurance. It appears that the effect of my awards on Insurance and Wages will leave the ranking of bargaining unit employees near their 2004-05 ranking in total compensation among their counterparts in the comparable counties (though a detailed analysis of each insurance plan, not available in the evidence here, would be required for an accurate ranking).

The Employer has negotiated settlements with the unions representing its other employees that reduce its health insurance costs and provide, to most of them, lower across-the-board wage increases than will result from the award here on Wages. The evidence persuades me, however, that external comparison of total compensation, rather than internal, is the appropriate standard for determining the Wage issue.

June 28, 2005

Thomas P. Gallagher, Arbitrator

CERTIFICATE OF SERVICE

I certify that on the 28th day of June, 2005, I served the foregoing Decision and Award of Arbitrator upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

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I further certify that on the 28th day of June, 2005, I will submit this Decision and Award for filing by mailing it to the Iowa Public Employment Relations Board, 510 East Twelfth Street, Suite 1B, Des Moines, IA 50319.

June 28, 2005

Thomas P. Gallagher, Arbitrator